

Message Text

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SUBJ: GROWING CRIICISM OVER TRADE DEFICIT WITH U.S.

1. BEGIN SUMMARY. PUBLICATION OF SPAIN'S 1975 TRADE FIGURES, SHOWING AMONG OTHER THINGS A \$1.8 BILLION TRADE DEFICIT WITH THE U.S., HAS PROVIDED SOME STRONG--AND TYPICALLY UNSUBSTANTIATED--EDITORIALIZING ABOUT U.S. PROTECTIONISM AND THE NEED FOR A BETTER EQUILIBRIUM IN ECONOMIC RELATIONS BETWEEN THE TWO COUNTRIES. SPANISH PAPERS ARE CITING ARTICLE 2 OF THE SUPPLEMENTARY AGREEMENT ON ECONOMIC COOPERATION OF THE TREATY OF FRIENDSHIP AND COOPERATION TO ATTACK THE CURRENT IMBALANCE IN SPANISH-U.S. TRADE. MORE OF THIS SORT OF ADVERSE PUBLICITY CAN BE EXPECTED, AND WE SHOULD BE PREPARED FOR A MAJOR OUTBURST IF WE DECIDE TO IMPOSE QUOTAS ON SHOES. EMBASSY IS ASSEMBLING DATA AVAILABLE HERE TO HELP COUNTER CHARGES BY SPANISH PRESS AND GOS, AND WOULD APPRECIATE ANY INFORMATION OR ASSISTANCE READILY AVAILABLE IN WASHINGTON. END SUMMARY.

2. MIN OF COMMERCE WEEKLY PUBLICATION "INFORMACION COMERCIAL ESPANOLA" HAS PUBLISHED PRELIMINARY 1975 SPANISH TRADE FIGURES

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ALONG WITH LEAD EDITORIAL ENTITLED, "SPAIN'S FOREIGN TRADE

DEFICIT WITH THE U.S.," NOTING THAT U.S. EXPORTS TO SPAIN REPRESENTED ONLY 2.5 PERCENT OF TOTAL U.S. EXPORTS BUT THAT U.S. TRADE SURPLUS WITH SPAIN WAS 15.4 PERCENT OF TOTAL U.S. TRADE SURPLUS. EDITORIAL SAID SPAIN WAS BEING TREATED LIKE A DEVELOPED COUNTRY IN ITS NEGOTIATIONS WITH U.S. UNDER 1974 TRADE ACT (IEM ON GSP) BUT THAT TRADE DEFICIT INDICATED SPAIN WAS MORE A THIRD WORLD COUNTRY. EDITORIAL SAID THERE WAS NEED FOR "SECTORAL NEGOTIATIONS IN WHICH BOTH PROCESSED AGRICULTURAL PRODUCTS AND MANUFACTURED GOODS WOULD RECEIVE MORE FAVORABLE ENTRY" TO U.S. TOHERWISE, IT SAID, "SPAIN WILL NOT BE ABLE TO MAINTAIN SUCH A DEFICIT, AND IN THE FUTURE U.S. EXPORTERS WILL NOT FIND THE RAPIDLY EXPANDING MARKET THEY HAVE ENJOYED IN THE PAST."

3. EDITORIAL IN CATHOLIC DAILY "YA," ENTITLED "REQUIREMENTS OF ECONOMIC COOPERATION" DRAWS ON ABOVE AND NOTES THAT IN "ONE OF THE SECTORS OF OUR ECONOMY FACING THE MOST PROBLEMS, FOREIGN TRADE, OUR DIFFICULTIES ARE INCREASED BECAUSE OF THE CLEARLY PROTECTIONIST ATTITUDE OF THE U.S." REFERRING TO NEW TREATY, "YA" SAYS SECTION ON ECONOMIC COOPERATION "WOULD HAVE NO MEANING IF IT WERE NOT CONFIRMED FROM THE START WITH A COMMON AND REPEATED EFFORT THAT THERE IS A NEED TO BALANCE TRADE RELATIONS."

4. ARTICLE IN "HOJA DE LUNES" ASKS "HOW CAN THE U.S. JUSTIFY A PROTECTIONIST POLICY TOWARD SPANISH EXPORTS WHEN TRADE BETWEEN THE TWO COUNTRIES ACCOUNTS FOR NO LESS THAN 15.4 PERCENT OF THE SURPLUS THE U.S. HAS ATTAINED IN ITS TRADE WITH THE REST OF THE WORLD?"

5. MORE COMMENTS LIKE THESE ARE LIKELY. FIGURES SHOW SPANISH IMPRTS (CIF) FROM THE U.S. OF ABOUT \$2,580 MILLION AND EXPORTS (FOB) OF \$807 MILLION, A DEFICIT OF \$1,773 MILLION. EXPORTS TO U.S., IT IS BEING STRESSED, REPRESENT ONLY 31.2 PERCENT OF IMPORTS FROM U.S. WHILE TOTAL SPANISH EXPORTS ARE 47.4 PERCENT OF TOTAL IMPORTS AND 66.6 PERCENT IF PETROLEUM IMPORTS ARE EXCLUDED.

6. THERE IS NO DOUBT THAT IF WE IMPOSE QUOTAS ON SPANISH SHOE EXPORTS, WE WILL HAVE TO FACE A BARRAGE OF CRITICISM FROM ALL SECTORES. REGARDLESS OF WHETHER SUCH QUOTAS MAY LIMITED OFFICIAL USE

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OR MAY NOT BE JUSTIFIED, WE DO WANT TO EMPHASIZE THAT THE REACTON TO THEM WILL BE LOUD AND WIDESPREAD. OUR LARGE AND GROWING TRADE SURPLUS IS A VERY SENSITIVE TPINT HERE. WHATEVER THE OBJECTIVE ARGUMENTS, SPANISH CRITICISM NEVERTHELESS EXISTS, AND THRE IS VERY PROBABLY A GENERAL FEELING AMONG SPANISH THAT U.S. IS TREATING THEM UNFAIRLY.

7. WE ARE IN THE PROCESS OF ASSEMBLING A VARIETY OF COUNTER ARGEMENTS TO GROWING SPANISH ATTACKS. WE HAVE GOS'S OWN BILATERAL PAYMENTS FIGURES FOR 1974 (MADRID 7389 OF OCT 23, 1975) SHOWING AN OVERALL SPANISH SURPLUS WITH U.S., AND WE ARE ANALYSING TARIFF LEVELS APPLIED TO PRINCIPAL ITEMS IN SPANISH-U.S. TRADE. ANY READILY AVAILABLE INFORMATION WHICH STATE, COMMERCE, OR ANY OTHER WASHINGTON AGENCY CAN SUPPLY ALONG THESE LINES OR, FOR EXAMPLE, DEALING WITH COMPARATIVE ACCESS TO U.S. MARKET IN GENERAL, WOULD BE MOST HELPFUL TO US. WE WOULD ALSO APPRECIATE, IF POSSIBLE VIA APO, COMPLETE COMMERCE DEPT TRADE FIGURES BY COUNTRY AND COMMODITY FOR 1974 AND FOR MOST RECENT MONTH IN 1975. EMBASSY HAS NOT BEEN RECEIVING THESE. STABLER

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